

# Office of the Legislative Auditor

State of Montana



Report to the Legislature

April 1991

## Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1990

### Eastern Montana College

This report contains three recommendations for improvement of the college's operations. The recommendations relate to improving:

- Cash collection controls.
- Electronic Data Processing controls.
- Grant control procedures.

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## FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1989 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

# Office of the Legislative Auditor

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Performance Audit

LEGISLATIVE AUDITOR:  
SCOTT A. SEACAT

LEGAL COUNSEL:  
JOHN W. NORTHEY

April 1991

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on Eastern Montana College for the two fiscal years ended June 30, 1990. Included in this report are recommendations concerning the college's controls over cash collections, electronic data processing, and grant expenditures. The college's response is contained at the end of the report.

We thank the President and his staff for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".

Scott A. Seacat  
Legislative Auditor



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# **Office of the Legislative Auditor**

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**Financial-Compliance Audit**

**For the Two Fiscal Years Ended June 30, 1990**

## **Eastern Montana College**

Members of the audit staff involved in this audit include: Frieda M. Houser, Scott Hoversland, Charles V. Jensen, Victoria Murphy, Charles Nemec, Julie Quist, Vickie Rauser, and Gary Trescott.



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## Appointed and Administrative Officials

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<b>Board of Regents of Higher Education</b>		<u>Term Expires</u>
Stan Stephens, Governor*		1992
Nancy Keenan, Superintendent of Public Instruction*		1992
William L. Mathers, Chairman	Miles City	1994
Brad Musgrove, Student Member	Bozeman	1991
Jim Kaze	Havre	1992
Thomas F. Topel	Billings	1993
Cordell Johnson	Helena	1996
Kermit R. Schwanke	Missoula	1997
Paul Boylan	Bozeman	1998

\*ex officio member

**Commissioner of  
Higher Education**      John Hutchinson, Commissioner of Higher Education

John H. Noble, Deputy Commissioner for  
Management & Fiscal Affairs

<b>Administrative Officers</b>		
Bruce H. Carpenter		President
Ronald Sexton		Academic Vice President
Edward Whipple		Vice President for Student Affairs
Kenneth W. Heikes		Administrative Vice President
Kathleen Hicks		Controller
Terrie Iverson		Director of Internal Operations

## **Summary of Recommendations**

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The listing below serves as a means of summarizing the recommendations contained in the report, the college's response thereto, and a reference to the supporting comments.

**Recommendation #1**

We recommend the college periodically review and evaluate compliance with established control procedures at the remote cash handling sites. .... 8

Agency Response: Concur. See page 35.

**Recommendation #2**

We recommend the college implement controls to ensure:

A. Access to computer files and equipment is adequately safeguarded.

Agency Response: Partially concur. See page 35.

B. A disaster recovery plan is developed and updated on a timely basis.

Agency Response: Concur. See page 35.

C. Users manuals are developed and updated on a timely basis. .... 11

Agency Response: Concur. See page 35.

**Recommendation #3**

We recommend the college implement supervisory review procedures to ensure grants personnel follow established reporting procedures. .... 12

Agency Response: Concur. See page 35.



# Introduction

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## General

We performed a financial-compliance audit of Eastern Montana College (EMC) for the two fiscal years ended June 30, 1990. The objectives of our audit were to:

1. Determine the college's compliance with applicable state and federal laws and regulations.
2. Identify areas for improvement in the management and internal controls of the college.
3. Determine if the financial statements of the college present fairly its financial position at June 30, 1990 and results of its operations for the two fiscal years ended June 30, 1990.
4. Determine the implementation status of prior audit recommendations.

This report contains three recommendations which address areas where internal controls can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of college programs are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations made in this report.

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## Background

Eastern Montana College was established in Billings by the 1927 Legislative Assembly. It was initially called Eastern Montana Normal School at Billings. Its name was changed in 1949 to Eastern Montana College of Education, and in 1965 to Eastern Montana College. The college offers academic programs in education, liberal arts, sciences, business, economics, and human services. Graduate programs through the master's level are offered in teacher training, special education and rehabilitation, and personnel and guidance.

The campus is comprised of approximately 90 acres of land containing nineteen buildings providing administrative offices,

## Introduction

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classrooms, laboratories, auditoriums, physical education facilities, student housing, and other facilities.

The college is financed by state appropriations, university millage, student fees, federal financial assistance, private gifts and grants, land grant income and auxiliary enterprise operations.

The majority of EMC's expenditures are recorded in the Current Unrestricted Fund and the Current Restricted Fund. EMC had Current Unrestricted Fund expenditures of \$18.1 million and \$19.2 million and Current Restricted Fund expenditures of \$3.3 million and \$3.6 million in fiscal years 1988-89 and 1989-90, respectively. A portion of the Current Unrestricted Fund expenditures were appropriated by the legislature. The accounting records for both funds record and report expenditures by program. The programs are:

Instruction - includes expenditures for educational activities generating credits which satisfy the curricular requirements leading to a post-secondary degree. The majority of this expenditure activity relates to the operation of the three schools at EMC (Education, Arts and Sciences, and Business and Economics). The primary administrators of these activities are the Deans of the schools. The Deans report to the Academic Vice President.

Research - includes expenditures for activities specifically organized to produce research results for entities both within and external to the college. This program is administered by various grant administrators reporting primarily to the Academic Vice President.

Public Service - includes expenditures for activities established primarily to provide noninstructional services beneficial to individuals or groups external to the college. The two public service activities at EMC are the campus radio station (KEMC) and the Montana Center for Handicapped Children (MCHC). KEMC is administered by the News Media Services personnel and the President. MCHC is administered by the Academic Vice President.

Operation and Maintenance of Plant - includes expenditures of Current Unrestricted Funds for the operation and maintenance of the physical plant. (This does not include

expenditures made from Plant Fund accounts.) The type of expenditures included are services and maintenance related to grounds and facilities, utilities, insurance, and similar items. The program is administered by physical plant personnel and the Administrative Vice President.

Academic Support - includes funds expended primarily to provide support services for the instruction, research and public service programs. Expenditures in this program include library operations, the salaries of the Academic Vice President and the Deans of the three schools, and various other support activities for academic faculty. The expenditures in this program are administered by various college personnel under the direction of the Academic Vice President.

Student Services - includes expenditures for activities that primarily contribute to the students' well-being and development outside the context of the formal instruction program. Examples include admissions and student financial aid office operations, student recreational activities, and various forms of competitive sports for students. The program is administered by various college personnel under the direction of the Student Services Vice President.

Institutional Support - includes expenditures for activities that are related to the general management and operation (both near and long term) of the college. Typical expenditures in this program would include fiscal operations, administrative data processing, personnel management and records, and campus security and mail. This program is primarily administered by the Administrative Vice President and personnel in the various college offices.

Scholarships and Fellowships - expenditures in this program reflect fee waivers given to students out of the Current Unrestricted Fund, as well as the activity related to the Pell, College Work Study and other student financial aid programs in the Current Restricted Fund. These expenditures are administered primarily by the Student Services Vice President through the Student Financial Aid Office. The expenditures in this program do not reflect student financial aid activity recorded in the Loan Funds.

During the audit period, excluding summer quarters, enrollment was approximately 3,800 students. Schedules of enrollment statistics appear on pages 30 and 31. According to estimates

## Introduction

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provided by the Office of the Commissioner of Higher Education, the college had approximately 500 full-time equivalent employees (FTE) during fiscal year 1989-90. The estimated number of employee FTE by classification for fiscal year 1989-90 is shown below.

	Appropriated Funds	Nonappropriated Funds	Total
Contract Faculty	174.07	0	174.07
Contract Professional &			
Administrative	36.47	9.07	45.54
Classified	124.32	77.59	201.91
Graduate Teaching			
Assistant	1.96	0	1.96
Part-time & Other	15.58	66.19	81.77
<b>Total</b>	<b><u>352.40</u></b>	<b><u>152.85</u></b>	<b><u>505.25</u></b>

Source: Compiled by the Commissioner of Higher Education

# Prior Audit Recommendations

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## Prior Audit Recommendations

Our financial-compliance audit of EMC, for the two fiscal years ended June 30, 1988, contained seven recommendations. The college concurred with and implemented all of the recommendations.

# Findings and Recommendations

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## **Internal Controls**

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EMC's management is responsible for implementing and maintaining a system of controls that reduces the risk of errors or irregularities occurring and not being detected in a timely manner. Controls can be applied to both accounting procedures and procedures ensuring compliance with state and federal regulations. Our findings at EMC identify where improvement in the controls can be made.

## **EMC Cash Controls**

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EMC handles cash at several locations other than the business office. The cash handling sites are for both revenue collection and imprest cash purposes. Although the dollar amounts held in the cash accounts at these locations are relatively low, the availability of cash and limited supervision over the handling of the cash creates the potential for losses, over a period of time, larger than the amount of the cash fund. Good internal controls over the collection and handling of cash reduce the opportunity for misappropriation and maintain the integrity of individuals responsible for the cash. We reviewed EMC internal control and cash handling procedures. We conducted cash counts at three of the twenty-seven cash collection sites at EMC. The sites were selected based on dollar volume of the cash activity. The three cash handling sites we examined were: EMC Library, the Rimrock-Petro Residence Halls, and the EMC Security Office. We noted a shortage of \$30 at the library and weaknesses in cash controls at both the library and the security office.

**EMC Library** - The cash at the library is in a cash change machine. This allows students to exchange currency for coins to operate library photocopiers. Two machines, containing \$350 each, exchange 10 dimes for a dollar bill. A cash count revealed a shortage of \$30 for the two machines combined. Library personnel remove the dollars and replenish the dimes in the machine without reconciling the total in the machine to the original amount in the machine. This does not ensure the proper amount is maintained in the machines. State policy recommends imprest cash accounts should be reconciled regularly and any shortages/overages should be recorded on the

## Findings and Recommendations

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Statewide Budgeting and Accounting System (SBAS). Since no reconciliation was performed, library personnel were not aware of the shortage.

**EMC Security Office** - The security office imprest cash account is used to service the parking permit and fine activity. Parking violation fines are primarily paid at the security office or by placing the fine and the ticket in campus collection boxes. The two-person security office administrative staff is responsible for collecting cash, recording fines paid, preparing the deposit, and cancelling tickets. On the day the cash count was performed, only one administrative person was present to perform the parking fine collection, deposit, and recording procedures. This lack of segregation of duties, combined with the cash control weaknesses listed below, constitutes a significant concern money could be collected and not recorded or deposited. Control weaknesses, in addition to the lack of segregation of duties, include:

- not all fines are recorded as received;
- receipts are only provided when requested;
- tickets issued, paid, and cancelled are not reviewed to ensure the propriety of the action taken and to determine if all tickets written are accounted for.

Security office personnel collected and recorded parking fine revenue of \$21,111 and \$16,771 in fiscal years 1988-89 and 1989-90, respectively. The decrease in revenue collected at the security office was offset by an increase in revenue collected through the business office as part of an effort to collect more of the fines at fee collection.

Sound internal controls include procedures to limit the opportunity for errors and irregularities to occur and not be detected in a timely manner. Because of the limited staff, it is not always possible to maintain a segregation of duties. However, a combination of controls can compensate for a lack of personnel.

## **Findings and Recommendations**

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We notified administrative personnel of the identified weaknesses. The personnel responded they had begun a process of strengthening the controls at the sites we identified. Strengthening the controls at the two sites where we found the weaknesses will reduce the potential for problems at those sites. However, it does not address the larger potential that weaknesses may exist at some or all of the twenty-four sites we did not examine. The two sites where we noted weaknesses are only examples of the type of problems that can occur.

EMC's administration is responsible for ensuring internal controls at the cash handling sites are in place and properly operating. EMC distributes written guidelines to the cash handling sites. However, these guidelines are of a general nature and personnel at the cash handling sites may lack the training and background necessary to implement procedures specific to their operations. The administration ensures controls over cash handling are in place by performing occasional surprise cash counts. However, a surprise cash count will not, by itself, detect internal control weaknesses or money collected and not recorded. Periodic reviews and evaluations by the college's administration of the adequacy and effectiveness of internal controls at the cash handling sites can improve adherence to and understanding of control procedures.

### **Recommendation #1**

**We recommend the college periodically review and evaluate compliance with established control procedures at the remote cash handling sites.**

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### **Electronic Data Processing**

The college processes its accounting information on a mainframe computer located at the college. The computer electronically transfers the information to the state's mainframe computer in Helena. Electronic data processing (EDP) consolidates many operations previously performed manually by several individuals

## Findings and Recommendations

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or departments into tasks performed solely by the computer. This consolidation reduces the segregation of duties that exists in a manual operation and creates new risks that errors or irregularities can occur and not be detected in a timely manner. As a result, internal controls over EDP systems require different controls than for a manual system. Section 2-15-114, MCA, requires adequate levels of security for all data and information technology resources. These requirements are further detailed as state policy in the Montana Operations Manual. During our audit, we reviewed the controls over EMC's computer system and identified weaknesses. The following discusses these weaknesses.

### Security Controls

Physical Access - The college controls physical access to the computer room with a locked door. We noted the custodian, the head programmer, and contracted hardware maintenance personnel have keys to the computer room. Personnel stated the access was given for the purposes of convenience. However, since access to the computer room allows access to data, programs, hardware and computer operations, unsupervised access should be limited. Computer programmers and contracted hardware maintenance personnel should not have unrestricted access to the computer room as their knowledge of the system represents a potential risk for computer operations. Custodians and maintenance workers should have access only when a computer operator is present. Then, if computer equipment is accidentally damaged, the proper remedial action can be taken immediately. The college should evaluate the need for a person to have access to ensure only those individuals that should have unrestricted access have keys to the computer room.

Electronic Access - The state requires a user identification number (ID) in order to input information electronically on the Statewide Budgeting and Accounting System (SBAS). This limits access to authorized individuals and establishes responsibility for data by recording which individual entered the information. Three individuals in the controller's office share one user ID. Sharing the ID leaves EMC without the ability to establish accountability for information recorded on SBAS. Personnel stated one person usually inputs the information. The other

## Findings and Recommendations

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users only use the ID if the primary person is out of the office. Since there is a primary person responsible, EMC personnel did not believe it was necessary to set up separate IDs. However, if errors are noted in the system, it may be impossible to identify the individual responsible under the current system. The college should establish a separate ID for each user.

### Continuing Computer Operations

Disaster Recovery Plan - State policy requires agencies to develop and document a contingency plan for computer operations in the event of a disaster. The college computer processes registration, financial aid, grades, and a portion of the accounting information. In addition, the computer transfers the accounting information to SBAS. A disaster affecting the computer system could impair the continuing operations of the college. The college should document alternate methods of processing critical operations in the event of a disaster to reduce lost time and data. During fiscal years 1988-89 and 1989-90, the college did not have a documented disaster recovery plan. The college began documentation of a recovery plan during Fall 1990. The college should continue developing and refining its disaster recovery plan.

User Documentation - In order to ensure computer operations are not interrupted by personnel changes, documentation of procedures is necessary. State policy requires all software developed by or for a state agency to include adequate technical and user documentation. The college has policies in place to ensure technical information is documented, but the college has not documented user procedures. Documentation of user procedures could include user manuals, training materials, problem resolution procedures, and other information considered necessary to ensure personnel can properly operate the system and data is correctly entered. Personnel stated they have not had the time nor the human resources required to document this information. They further indicated a shortage of qualified applicants has resulted in several EDP positions not being filled during the audit period. The users learn on the job. Some individuals have created a user manual for their own information. These types of training procedures can lead to

## **Findings and Recommendations**

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inconsistent processing of information. The college should develop users manuals for critical applications.

### **Recommendation #2**

**We recommend the college implement controls to ensure:**

- A. Access to computer files and equipment is adequately safeguarded.**
- B. A disaster recovery plan is developed and updated on a timely basis.**
- C. Users manuals are developed and updated on a timely basis.**

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### **Grant Controls**

EMC receives grants from a variety of sources, including state and federal agencies. Federal grants are received from the Department of Education, the National Park Service, and the National Science Foundation. Many of the grants allow personal service expenditures as a use of the funds. Federal grant regulations (Office of Management and Budget [OMB] Circular A-21) require a recipient to have a system to ensure charges to grants reflect actual time and effort.

We noted EMC has a system to determine actual time and effort spent on the grants. EMC establishes an estimate of the amount of time an individual intends to spend on a grant and that estimate is used to routinely charge the grant for the estimated percentage of the individual's pay. In addition, EMC established a control to ensure the estimates do not exceed the actual time charged to the grant by having all individuals working on grants submit time and effort reports to the grants accountant. The time and effort reports provide the actual percent of an individual's time devoted to various grants. The accountant is to review the time and effort reports and adjust the amount charged to the grants to reflect actual hours spent.

## **Findings and Recommendations**

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We found the grants accountant did not follow established procedures. We noted two instances where the grants accountant returned the time and effort reports to personnel with instructions to modify the report to agree with the percentage charged on the accounting system. Although we did not find instances where grants were overcharged as a result of this issue, the potential exists for grants to be charged for services not rendered.

Establishing and maintaining compliance with control procedures is management's responsibility. Periodic supervisory reviews of the work could have prevented the failure to follow established procedures.

### **Recommendation #3**

**We recommend the college implement supervisory review procedures to ensure grants personnel follow established reporting procedures.**

# **Independent Auditor's Report & College Financial Statements**

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# Summary of Independent Auditor's Report

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## **Summary of Independent Auditor's Report**

The auditor's opinion issued on the financial statements contained in this report is intended to convey to the reader the degree of reliance that can be placed on the amounts presented. The reader may rely on the fairness of the amounts on the statements and schedules presented on pages 16 through 31 when analyzing the financial activity of Eastern Montana College.

STATE OF MONTANA

Office of the Legislative Auditor



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DEPUTY LEGISLATIVE AUDITORS:

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Performance Audit

LEGISLATIVE AUDITOR:  
SCOTT A. SEACAT

LEGAL COUNSEL:  
JOHN W. NORTHEY

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying financial statements of Eastern Montana College as of and for each of the two fiscal years ended June 30, 1990 as shown on pages 16 through 29. The information contained in these statements is the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Balance Sheet as of June 30, 1990 and the Statement of Changes in Fund Balances and Statement of Current Fund Revenues, Expenditures, and Other Changes for each fiscal year ended June 30, 1989 and 1990, present fairly, in all material respects, the financial position of Eastern Montana College as of June 30, 1990, and the results of operations and changes in fund balances for each of the two fiscal years ended June 30, 1989 and 1990, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Enrollment Statistics For The Two Years Ending June 30, 1989 and 1990, prepared in accordance with the Registrar's Manual for Reporting Enrollment Data reporting requirements, is presented as supplemental information and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett".

James Gillett, CPA  
Deputy Legislative Auditor

January 31, 1991



EASTERN MONTANA COLLEGE  
BALANCE SHEET  
JUNE 30, 1990

ASSETS

CURRENT FUNDS:

Unrestricted:	
Cash	\$2,246,900
Investments (Note 2)	1,157,500
Due from Cash Accounts for FYE Adjustments	353,067
Accounts Receivable less Allowance for Doubtful Collections of \$49,661	345,148
Inventories (Note 3)	1,023,569
Prepaid Expenses	57,560
-----	-----
Total Unrestricted	\$5,183,744
-----	-----

Restricted:	
Cash	\$86,857
Due from Federal Government	30,532
Due from State Government	14,840
Investments (Note 2)	4,000
Accounts Receivable	22,344
Due from Cash Accounts for FYE Adjustments	15,973
-----	-----
Total Restricted	\$174,546
-----	-----

TOTAL CURRENT FUNDS	\$5,358,290
=====	=====

LOAN FUNDS:

Cash	\$9,913
Investments (Note 2)	26,800
Due from Cash Accounts for FYE Adjustments	187
Accounts Receivable	15,643
Loans Receivable	2,193,228
-----	-----
TOTAL LOAN FUNDS	\$2,245,771
=====	=====

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:	
Accounts Payable and Accrued Liabilities	\$715,197
Accrued Liability for Compensated Absences	1,099,762
Student Deposits	19,330
Due to State of Montana General Fund:	
Current Year Reversion	26,607
Due to Cash Accounts for FYE Adjustments	508,454
Deferred Revenue	542,093
Fund Balance	2,272,301
-----	-----
Total Unrestricted	\$5,183,744
-----	-----

Restricted:	
Accounts Payable and Accrued Liabilities	\$10,779
Due to Cash Accounts for FYE Adjustments	53,432
Deferred Revenue - All Other Sources	80,073
Fund Balance	30,262
-----	-----
Total Restricted	\$174,546
-----	-----

TOTAL CURRENT FUNDS	\$5,358,290
=====	=====

LOAN FUNDS:

Accounts Payable	\$122
Fund Balances:	
Perkins/National Direct Student Loans:	
U.S. government grants refundable less	
cumulative cancellations and other	
reductions of \$514,263	1,960,388
College Contributions-Restricted	274,962
-----	-----
Total Perkins/NDSL	2,235,350
Other College Funds - Restricted	10,299
-----	-----
Total Fund Balances	2,245,649
-----	-----
TOTAL LOAN FUNDS	\$2,245,771
=====	=====

The notes are an integral part of this statement.



EASTERN MONTANA COLLEGE  
BALANCE SHEET  
JUNE 30, 1990  
(continued)

ASSETS	LIABILITIES AND FUND BALANCES	
<b>PLANT FUNDS:</b>		
<b>Unexpended:</b>		
Cash in Treasury	\$ 6,742	
Investments Held by State of Montana (Note 2)	113,100	
Due from Cash Accounts for FYE Adjustments	790	
	-----	
<b>Total Unexpended</b>	<b>\$120,632</b>	
	=====	
<b>Renewals and Replacements:</b>		
Cash in Treasury	\$74,748	
Cash Held by Bond Trustee	23	
Investments Held by Bond Trustee (Note 2)	1,003,233	
Investments Held by State of Montana (Note 2)	46,000	
Accounts Receivable less Allowance for Doubtful Collections of \$802	3,305	
Due from Cash Accounts for FYE Adjustments	321	
Interest Receivable	15,603	
Construction Advances	(76)	
	-----	
<b>Total Renewals and Replacements</b>	<b>\$1,143,157</b>	
	=====	
<b>Retirement of Indebtedness:</b>		
Cash in Treasury	\$1,305	
Cash Held by Bond Trustee	191	
Investments Held by Bond Trustee (Note 2)	2,204,806	
Investments Held by State of Montana (Note 2)	172,700	
Due from Cash Accounts for FYE Adjustments	1,207	
Interest Receivable	42,450	
	-----	
<b>Total Retirement of Indebtedness</b>	<b>\$2,422,659</b>	
	=====	
<b>Investment in Plant (At Cost of Acquisition):</b>		
Intangible Assets	\$295,614	
Land	1,290,040	
Buildings	27,215,094	
Other Improvements	1,022,705	
Equipment (Note 9)	4,663,366	
Library Books	3,329,183	
	-----	
<b>Total Investment in Plant</b>	<b>\$37,816,002</b>	
	=====	
<b>TOTAL PLANT FUNDS</b>	<b>\$41,502,450</b>	
	=====	
<b>AGENCY FUNDS:</b>		
Cash	\$48,773	
Investments (Note 2)	16,000	
Due from Cash Accounts for FYE Adjustments	1,510	
Accounts Receivable	6,950	
	-----	
<b>TOTAL AGENCY FUNDS</b>	<b>\$73,233</b>	
	=====	
The notes are an integral part of this statement.		
LIABILITIES AND FUND BALANCES		
<b>PLANT FUNDS:</b>		
<b>Unexpended:</b>		
Fund Balance	\$120,632	
	-----	
<b>Total Unexpended</b>	<b>\$120,632</b>	
	=====	
<b>Renewals and Replacements:</b>		
Accrued Liabilities	\$3,952	
Deferred Revenue	14,334	
Fund Balance - Restricted	1,124,871	
	-----	
<b>Total Renewals and Replacements</b>	<b>\$1,143,157</b>	
	=====	
<b>Retirement of Indebtedness:</b>		
Accrued Bond Interest Payable	\$33,563	
Fund Balance - Restricted	2,389,096	
	-----	
<b>Total Retirement of Indebtedness</b>	<b>\$2,422,659</b>	
	=====	
<b>Investment in Plant:</b>		
Contracts and Notes Payable	\$81,000	
Bonds Payable (Note 5)	11,217,364	
Net Investment in Plant	26,517,638	
	-----	
<b>Total Investment in Plant</b>	<b>\$37,816,002</b>	
	=====	
<b>TOTAL PLANT FUNDS</b>	<b>\$41,502,450</b>	
	=====	
<b>AGENCY FUNDS:</b>		
Accounts Payable and Accrued Liabilities	\$14,688	
Due to Cash Accounts for FYE Adjustments	11,650	
Property Held in Trust	46,895	
	-----	
<b>TOTAL AGENCY FUNDS</b>	<b>\$73,233</b>	
	=====	



EASTERN MONTANA COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 1990

	CURRENT FUNDS		LOAN FUNDS		PLANT FUNDS		
	Unrestricted	Restricted	Unexpended	Replacements	Renewals & Retirement of Investment In Debtedness	Investment in Plant	
<b>REVENUES AND OTHER ADDITIONS:</b>							
Tuition and Fees	\$5,315,656						\$130,128
Montana General Fund Transfers	9,063,468						
Montana Millage Fund Transfers	1,651,294						
Land Grant Income	212,042						
Indirect Cost Recoveries	38,019						
Sales, Services, and Miscellaneous	823,255						
Investment Income	99,194		\$5,720	\$10,681	92,945	\$201,058	
Sales & Services of Auxiliary Enterprises	3,291,723						
Federal Grants and Contracts		\$2,984,895	86,411				
State Grants and Contracts	45,731	245,872	5,078				
Local Government Grants and Contracts		70,946					
Other Grants, Contracts, and Donations		288,595					
Interest Earned on Loans			63,496				
Investment in Plant Facilities							\$662,883
Retirement of Indebtedness							454,157
Other			1,660				
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>\$20,540,382</b>	<b>\$3,590,308</b>	<b>\$162,365</b>	<b>\$10,681</b>	<b>\$223,073</b>	<b>\$201,058</b>	<b>\$1,117,040</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>							
Current Funds Expenditures	\$19,268,141	\$3,603,310					
Loan Cancellations and Write-offs			\$127,559				
Collection/Administrative Costs			4,033				
Expended for Plant Facilities				\$12,968	\$32,489	\$631	
Retirement of Indebtedness						449,957	
Interest on Indebtedness						826,428	
Disposal of Plant Facilities							\$248,065
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>\$19,268,141</b>	<b>\$3,603,310</b>	<b>\$131,592</b>	<b>\$12,968</b>	<b>\$32,489</b>	<b>\$1,277,016</b>	<b>\$248,065</b>
<b>TRANSFERS AND FUND ADDITIONS (DEDUCTIONS):</b>							
Current Year Increase in Compensated Absences	(\$108,507)						
Change in Capitalization Level (Note 9)							(\$1,607,203)
Mandatory Transfers	(977,818)						
Liability for General Fund Reversion							
Current Year	(26,607)						
<b>TOTAL TRANSFERS AND DEDUCTIONS</b>	<b>(\$1,112,932)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$55,000)</b>	<b>\$1,032,818</b>	<b>(\$1,607,203)</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$159,309</b>	<b>(\$13,002)</b>	<b>\$30,773</b>	<b>(\$2,287)</b>	<b>\$135,584</b>	<b>(\$43,140)</b>	<b>(\$738,228)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>\$2,044,879</b>	<b>\$43,264</b>	<b>\$2,212,032</b>	<b>\$132,649</b>	<b>\$1,081,946</b>	<b>\$2,432,236</b>	<b>\$27,255,866</b>
Transfer of Fund Balance	59,358	(59,358)					
Net Effect of Prior Period Adjustments	8,755	59,358	2,844				
Move Equity to NIIP				(\$9,730)	(92,659)		
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$2,272,301</b>	<b>\$30,262</b>	<b>\$2,245,649</b>	<b>\$120,632</b>	<b>\$1,124,871</b>	<b>\$2,389,096</b>	<b>\$26,517,638</b>

The notes are an integral part of this statement.



**EASTERN MONTANA COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 1989**

	CURRENT FUNDS		LOAN FUNDS		PLANT FUNDS		
	Unrestricted	Restricted		Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant
<b>REVENUES AND OTHER ADDITIONS:</b>							
Tuition and Fees	\$4,581,811					\$127,121	
Montana General Fund Transfers	8,464,391						
Montana Millage Fund Transfers	1,677,780						
Land Grant Income	211,805						
Indirect Cost Recoveries	40,781						
Sales, Services, and Miscellaneous	719,954						
Investment Income	95,836			\$4,733	\$14,448	87,767	\$184,153
Sales & Services of Auxiliary Enterprises	3,194,844						
Federal Grants and Contracts		\$2,677,730		50,217			
State Grants and Contracts	30,875	309,297		3,442			
Local Government Grants and Contracts			86,483				
Other Grants, Contracts, and Donations		272,579					
Interest Earned on Loans				47,578			
Investment in Plant Facilities							\$1,275,735
Retirement of Indebtedness							434,947
Other				819			
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>\$19,018,077</b>	<b>\$3,346,089</b>	<b>\$106,789</b>	<b>\$14,448</b>	<b>\$214,888</b>	<b>\$184,153</b>	<b>\$1,710,682</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>							
Current Funds Expenditures	\$18,180,548	\$3,341,889					
Loan Cancellations and Write-offs			\$33,833				
Collection/Administrative Costs			4,977				
Expended for Plant Facilities						\$130,974	
Retirement of Indebtedness							\$422,495
Interest on Indebtedness							857,443
Disposal of Plant Facilities							\$151,990
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>\$18,180,548</b>	<b>\$3,341,889</b>	<b>\$38,810</b>	<b>\$0</b>	<b>\$130,974</b>	<b>\$1,279,938</b>	<b>\$151,990</b>
<b>TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS):</b>							
Current Year Decreases in Compensated Absences	(\$159,035)						
Mandatory Transfers	(1,100,878)				\$84,573	\$25,000	\$991,305
Nonmandatory Transfers					(10,082)		10,082
Liability for General Fund Reversion							
Current Year	(2,149)						
Prior Year	(966)						
<b>TOTAL TRANSFERS AND DEDUCTIONS</b>	<b>(\$1,263,028)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$74,491</b>	<b>\$25,000</b>	<b>\$1,001,387</b>	<b>\$0</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(\$425,499)</b>	<b>\$4,200</b>	<b>\$67,979</b>	<b>\$88,939</b>	<b>\$108,914</b>	<b>(\$94,398)</b>	<b>\$1,558,692</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>\$2,371,187</b>	<b>\$39,064</b>	<b>\$2,144,053</b>	<b>\$465,754</b>	<b>\$973,027</b>	<b>\$2,526,634</b>	<b>\$25,697,174</b>
Net Effect of Prior Period Adjustments	8,370					5	
Move Equity to NIIP							
H8619 Authority	90,821						
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$2,044,879</b>	<b>\$43,264</b>	<b>\$2,212,032</b>	<b>\$132,649</b>	<b>\$1,081,946</b>	<b>\$2,432,236</b>	<b>\$27,255,866</b>

The notes are an integral part of this statement.



**EASTERN MONTANA COLLEGE  
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1990**

	UNRESTRICTED	RESTRICTED	1990 TOTAL
<b>REVENUES:</b>			
Educational and General Funds:			
Tuition and Fees	\$3,892,160		\$3,892,160
Montana General Fund Transfers	9,063,468		9,063,468
Montana Millage Fund Transfers	1,651,294		1,651,294
Sales, Services and Miscellaneous	58,005		58,005
Indirect Cost Recoveries	28,876		28,876
Federal Grants and Contracts		\$2,984,895	2,984,895
State Grants and Contracts		245,872	245,872
Local Government Grants, Contracts, and Donations		70,946	70,946
Other Grants, Contracts, and Donations		288,595	288,595
	<b>\$14,693,803</b>	<b>\$3,590,308</b>	<b>\$18,284,111</b>
Designated Funds:			
Tuition and Fees	\$621,140		\$621,140
Sales, Services and Miscellaneous	815,621		815,621
State Grant for College Workstudy Program	45,731		45,731
Indirect Cost Recoveries	9,143		9,143
Investment Income	16,124		16,124
	<b>\$1,507,759</b>	<b>\$0</b>	<b>\$1,507,759</b>
Auxiliary Funds:			
Tuition and Fees	\$802,356		\$802,356
Land Grant Income	212,042		212,042
Investment Earnings	83,070		83,070
Sales, Services, and Miscellaneous	3,241,352		3,241,352
	<b>\$4,338,820</b>	<b>\$0</b>	<b>\$4,338,820</b>
<b>TOTAL CURRENT REVENUES</b>	<b>\$20,540,382</b>	<b>\$3,590,308</b>	<b>\$24,130,690</b>

The notes are an integral part of this statement.

**EASTERN MONTANA COLLEGE**  
**STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES, AND OTHER CHANGES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1990**  
(continued)

	UNRESTRICTED	RESTRICTED	1990 TOTAL
<b>EXPENDITURES:</b>			
Educational and General Funds:			
Instruction	\$6,987,846	\$351,296	\$7,339,142
Research	93,142	93,142	93,142
Public Service	263,800	414,178	677,978
Academic Support	1,706,596	1,482	1,708,078
Student Services	1,792,605	307,443	2,100,048
Institutional Support	1,507,790		1,507,790
Operation and Maintenance of Plant	2,182,704		2,182,704
Scholarships and Fellowships	344,262	2,435,769	2,780,031
 Total Educational and General Funds	 \$14,785,603	 \$3,603,310	 \$18,388,913
 <b>Designated Funds:</b>			
Instruction	\$262,041		\$262,041
Public Service	551,329		551,329
Academic Support	1,500		1,500
Student Services	490,325		490,325
Institutional Support	28,409		28,409
Recharge Centers	53,714		53,714
Mandatory Transfers	64,067		64,067
 Total Designated Funds	 \$1,451,385	 \$0	 \$1,451,385
 <b>Auxiliary Funds:</b>			
Expenditures	\$3,095,220		\$3,095,220
Mandatory Transfers:			
Principal and Interest	913,751		913,751
 Total Auxiliary Funds	 \$4,008,971	 \$0	 \$4,008,971
 <b>TOTAL CURRENT EXPENDITURES AND MANDATORY TRANSFERS</b>	 \$20,245,959	 \$3,603,310	 \$23,849,269
 <b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):</b>			
Current Year Increase in Compensated Absences	(\$108,507)		(\$108,507)
Liability for General Fund Reversion:			
Current Year	(26,607)		(26,607)
 <b>TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</b>	 (\$135,114)	 \$0	 (\$135,114)
 <b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	 \$159,309	 (\$13,002)	 \$146,307

The notes are an integral part of this statement.

**EASTERN MONTANA COLLEGE**  
**STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES, AND OTHER CHANGES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1989**

	UNRESTRICTED	RESTRICTED	1989 TOTAL
<b>REVENUES:</b>			
Educational and General Funds:			
Tuition and Fees	\$3,258,303		\$3,258,303
Montana General Fund Transfers	8,464,391		8,464,391
Montana Millage Fund Transfers	1,677,780		1,677,780
Sales, Services and Miscellaneous	51,693		51,693
Indirect Cost Recoveries	40,781		40,781
Federal Grants and Contracts		\$2,677,730	2,677,730
State Grants and Contracts		309,297	309,297
Local Government Grants, Contracts, and Donations		86,483	86,483
Other Grants, Contracts, and Donations		272,579	272,579
<b>Total Educational and General Funds</b>	<b>\$13,492,948</b>	<b>\$3,346,089</b>	<b>\$16,839,037</b>
Designated Funds:			
Tuition and Fees	\$543,709		\$543,709
Sales, Services and Miscellaneous	668,261		668,261
State Grant for College Workstudy Program	30,875		30,875
Investment Income	12,922		12,922
<b>Total Designated Funds</b>	<b>\$1,255,767</b>	<b>\$0</b>	<b>\$1,255,767</b>
Auxiliary Funds:			
Tuition and Fees	\$779,799		\$779,799
Land Grant Income	211,805		211,805
Investment Earnings	82,914		82,914
Sales, Services, and Miscellaneous	3,194,844		3,194,844
<b>Total Auxiliary Funds</b>	<b>\$4,269,362</b>	<b>\$0</b>	<b>\$4,269,362</b>
<b>TOTAL CURRENT REVENUES</b>	<b>\$19,018,077</b>	<b>\$3,346,089</b>	<b>\$22,364,166</b>

The notes are an integral part of this statement.

EASTERN MONTANA COLLEGE  
 STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1989  
 (continued)

	UNRESTRICTED	RESTRICTED	1989 TOTAL
<b>EXPENDITURES:</b>			
Educational and General Funds:			
Instruction	\$6,327,502	\$320,050	\$6,647,552
Research	51,344	51,344	51,344
Public Service	233,335	465,781	699,116
Academic Support	1,639,337	7,049	1,646,386
Student Services	1,707,406	312,228	2,019,634
Institutional Support	1,406,212		1,406,212
Operation and Maintenance of Plant	2,023,824		2,023,824
Scholarships and Fellowships	335,766	2,185,437	2,521,203
 Total Educational and General Funds	 \$13,673,382	 \$3,341,889	 \$17,015,271
 <b>Designated Funds:</b>			
Instruction	\$310,987		\$310,987
Public Service	495,158		495,158
Academic Support	750		750
Student Services	405,190		405,190
Institutional Support	1,688		1,688
Recharge Centers	41,504		41,504
Mandatory Transfers	74,389		74,389
 Total Designated Funds	 \$1,329,666	 \$0	 \$1,329,666
 <b>Auxiliary Funds:</b>			
Expenditures	\$3,251,889		\$3,251,889
Mandatory Transfers:			
Principal and Interest	1,001,489		1,001,489
Other	25,000		25,000
 Total Auxiliary Funds	 \$4,278,378	 \$0	 \$4,278,378
 <b>TOTAL CURRENT EXPENDITURES AND MANDATORY TRANSFERS</b>	 \$19,281,426	 \$3,341,889	 \$22,623,315
 <b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):</b>			
Current Year Increase in Compensated Absences	(\$159,035)		(\$159,035)
Liability for General Fund Reversion:			
Current Year	(2,149)		(2,149)
Prior Year	(966)		(966)
 TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	 (\$162,150)	 \$0	 (\$162,150)
 NET INCREASE (DECREASE) IN FUND BALANCE	 (\$425,499)	 \$4,200	 (\$421,299)

The notes are an integral part of this statement.

**EASTERN MONTANA COLLEGE**  
**Notes to Financial Statements**  
**June 30, 1990**

**Note 1 - BASIS OF ACCOUNTING**

The financial statements of Eastern Montana College are prepared on the accrual basis of accounting except for depreciation accounting and allowance for uncollectible loans as explained in Note 4 to the financial statements. The statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current operating funds related to the years ended June 30, 1989 and 1990. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund. However, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Current operating funds include unrestricted funds allocated to specific purposes by action of the Board of Regents and funds restricted by outside sources. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds.

To the extent that current funds are used to finance plant assets, the amounts so provided are reported as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers in the case of required provisions for debt amortization, interest, equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Gains and losses arising from the sale, collection or other disposition of investments and other non-cash assets are reported in the fund which owned such assets. Ordinary income derived from investments, receivables and the like, is reported in the fund owning such assets. Restricted revenue derived from gifts, grants, and appropriation and other restricted sources are reported in the appropriate funds.

In accordance with generally accepted accounting principles, the College does not recognize liabilities for items ordered but not yet received. Beginning in fiscal year 1986, these accruals are removed from the financial statements.

Other significant accounting policies are set forth in the accompanying financial statements and notes thereto.

**Note 2 - INVESTMENTS**

All investments are recorded at cost. Investments consist primarily of amounts invested through the Montana State Board of Investments using its short-term investment pool and U.S. Treasury Bills, and

by the trustee as required by the bond indenture. All the securities are risk category 1. The cost and market value of the investments at June 30, 1990 were approximately equal. Investments owned by the various funds at June 30, 1990, are as follows:

	<u>Cost</u>
Current Unrestricted Funds:	
Designated-Student Government	\$195,500
Auxiliary Enterprises	962,000
Current Restricted Funds:	
Skunk Research	4,000
Loan Funds:	26,800
Plant Funds:	
Unexpended	113,100
Renewals and Replacements	1,049,233
Retirement of Indebtedness	2,377,506
Agency Fund	<u>16,000</u>
Total	<u>\$4,744,139</u>

Investment income is generally recorded when received.

#### Note 3 - INVENTORIES

The College's policy is to record supplies inventories for certain educational and service departments in addition to inventories held for resale in auxiliary enterprises such as the bookstore and vending operations. All recorded inventories are stated at the lower of cost or market using the first-in, first-out method.

#### Note 4 - ALLOWANCE FOR DOUBTFUL ACCOUNTS - LOAN FUNDS

No provision for uncollectible Perkins, formerly National Direct Student Loans, has been provided for in the accompanying financial statements. The following statistics will be reflected in the annual report of the financial aid programs to the Department of Education:

Student loan amounts advanced - all borrowers	\$6,134,130
Total value of loan advances not in repayment status (grace period, armed forces, Peace Corps, Vista, student status, hardship)	\$1,028,948
Total amount of matured principal	\$5,244,674
Total amount of delinquent loans	\$287,327
Percentage of loans in default	5.47%

The College follows accounting practices for the Perkins/National Direct Student Loan Fund that are in accordance with government regulations. Those regulations do not provide for recognition of interest receivable or future loan cancellations by the government. To that extent the portion of the financial statements relating to loan funds are at variance with generally accepted accounting principles. However, 90% of any interest receivable or uncollectible loans and 100% of government cancellations would add to or reduce the U.S. Government's portion of the fund balance and, therefore, would not have significant effect on the College's overall financial position.

**Note 5 - BONDS PAYABLE**

At June 30, 1990 the College had \$11,217,364 in outstanding revenue bonds payable. These bonds were issued for refinancing, remodeling the Student Union, and other projects. A summary of these bonds follows:

Eastern Montana College Revenue Bonds:

Series A 1988 - 6.4% to 7.3% payable in varying annual installments from 1997 through 2004	\$7,615,000
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Series B 1985 - 7.02% to 8.375% payable in varying annual installments through 1996	\$2,680,000
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Montana Board of Regents Special Purpose Bonds:

Series C 1988 - 5.95% to 6.15% payable in varying annual installments from 1992 through 1993	\$408,945
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Series C 1985 - 7.4% to 8.0% payable in varying annual installments through 1992	\$513,419
--	-----------

The Series A and Series B bonds are secured by a first lien on a pledge of gross revenues derived directly or indirectly from (a) all student building fees assessed students attending the College, (b) all land grant income received by the College, and (c) the operation and use of the income facilities.

The Series A and Series B bond agreements require a deposit of \$1,045,049 to a debt service reserve fund account. Also, a repair and replacement reserve account was established requiring an initial deposit of \$900,000.

The annual debt service requirements for the next five years, including interest, as of June 30, 1990 are as follows:

Year Ending June 30,	Series A 1988	Series B 1985
1991	529,423	538,531
1992	529,423	537,519
1993	529,423	538,624
1994	529,423	536,629
1995	529,423	536,211
After 1995 (Cumulative)	<u>10,946,405</u>	<u>743,122</u>
Total	<u>\$13,593,520</u>	<u>\$3,430,636</u>

The Montana Board of Regents issued a series of Special Purpose Bonds. Eastern Montana College assumed responsibility for Series C of that issue to fund the purchase of a computer and related equipment. The bond agreement pledges revenue generated from user fees and a special computer fee assessed to students of \$1.00 per credit hour (maximum \$12.00) per quarter.

The Series C bond agreement requires a deposit of \$135,668 to a debt service reserve fund account.

The annual debt service requirements for the next three years, including interest, as of June 30, 1990 are as follows:

<u>Year Ending June 30,</u>	<u>Series C 1988</u>	<u>Series C 1985</u>
1991	24,884	537,568
1992	153,765	
1993	284,603	
Total	<u>\$463,252</u>	<u>\$ 537,568</u>

#### Note 6 - RETIREMENT PROGRAMS

Academic and professional employees with contracts under the authority of the Board of Regents may choose either the Montana Teachers Retirement System (TRS) or the Optional Retirement Program (ORP), which is available through the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). The retirement program for nonacademic staff is provided through the Montana Public Employees Retirement Division.

#### Defined Benefit Plans

##### **Teachers Retirement System**

The Teachers Retirement System is a mandatory system established in 1937 and governed by Title 19, Chapter 4, MCA. Teachers Retirement System participants are eligible to retire with a minimum 25 years of membership service or five years of creditable service at age 60. A retirement benefit is 1/60 times the years of service times average final compensation. An employee is vested in TRS following completion of five years of creditable service. Vested employees may retire at or after age 50 and receive a reduced retirement benefit.

##### **Public Employees Retirement System**

Established in 1945 and governed by Title 19, Chapter 3, MCA, Public Employees Retirement System (PERS) participants are eligible to retire at age 60 with at least five years of service, at age 65 regardless of length of service or at 30 years of service regardless of age. A reduced retirement benefit may be taken with 25 years of service or at age 50 with a minimum of five years of service. Effective January 1, 1989, monthly retirement benefits are calculated by taking 1/56 times the years of service times the final average salary. Vesting occurs once membership service totals 5 years.

### Defined Contribution Plan

The Optional Retirement Program (ORP), a defined contribution plan, established under the authority of Title 19, Chapter 21, MCA, provides benefits at retirement which are dependent upon the amount of contributions, investment gains and losses, employee's life expectancy, and the selected contract option.

#### Retirement Plan Information as of June 30, 1990

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	\$ 3,704,866	\$ 4,610,688	\$ 1,808,493
Total Payroll	11,098,385	11,098,385	11,098,385
Employer Contributions	\$ 237,741	\$ 343,911	\$ 53,459
Percent of Covered Payroll	6.417	7.459	2.956
Employee Contributions	\$ 227,849	\$ 324,777	\$ 127,390
Percent of Covered Payroll	6.150	7.044	7.044

#### Retirement Plan Information as of June 30, 1989

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	\$ 3,499,139	\$ 4,430,717	\$ 1,414,617
Total Payroll	10,320,173	10,320,173	10,320,173
Employer Contributions	\$ 224,540	\$ 329,114	\$ 41,816
Percent of Covered Payroll	6.417	7.428	2.956
Employee Contributions	\$ 215,197	\$ 312,100	\$ 99,646
Percent of Covered Payroll	6.150	7.044	7.044

For ORP participants, a total of \$81,436 or 4.503% in 1990 and \$63,262 or 4.472% in 1989, was contributed to TRS from employer contributions to amortize past service unfunded liability in accordance with Title 19, Chapter 21, MCA.

### Note 7 - COMMITMENTS AND CONTINGENT LIABILITIES

Accounting for major construction projects of the College is performed by the Architecture and Engineering Division of the Montana Department of Administration. At June 30, 1990 the Cisel Hall Parking Lot Renewal and Replacement project has remaining spending authority of \$109,924. The total authorized spending amount was \$120,000.

In accordance with FASB Statement No. 43 "Accounting for Compensated Absences", the liability and charge for compensated absences related to current and previous years are recorded in the unrestricted current funds. Prior to fiscal year 1990, the liability and charge were recorded in total in the current unrestricted education and general fund.

In fiscal year 1990, the liability and charges for compensated absences for the current and previous years were segregated by fund and recorded in the respective current unrestricted fund.

The value of unused vacation and sick leave of \$1,099,762 accumulated by employees is recorded as a liability. At June 30, 1990 permanent staff, other than contract faculty, may accumulate and carry to the following calendar year, two times the maximum number of vacation days earned annually. Unused vacation leave is purchased at full value from employees upon termination. Unused sick leave earned since July 1, 1971 is purchased from all employees at twenty-five percent of its value upon termination.

#### Note 8 - LEASES

During the year ended June 30, 1985, Eastern Montana College entered into a sublease agreement with the State of Montana for a telephone system.

The following is a schedule by year of the future minimum rental payments required under the lease agreement which will expire June, 1992.

<u>Year Ending June 30,</u>	
1991	\$ 141,144
1992	<u>141,012</u>
Total minimum payments required	<u>\$ 282,156</u>

During the year ended June 30, 1990, Eastern Montana College recorded \$129,720 in expenditures under this lease agreement.

#### Note 9 - Change in Capitalization Policy

The State of Montana fixed asset capitalization policy was changed July 1, 1988. The capitalization level was changed from a unit value of \$200 to a unit value of \$1,000, except for assets purchased with federal funds which may be subject to a \$500 capitalization level. In fiscal year 1990, 4,041 equipment items with a unit value of less than \$1,000 and a total value of \$1,607,203 were removed from the College financial records.

#### Note 10 - Property Loss

An explosion on May 12, 1990 caused extensive damage to property owned by the college. In August 1990, Tort Claims, in conjunction with Architecture and Engineering Division, determined the cost to repair the damage to the property. Approval was requested of and granted by the Board of Regents (Item 69-701-R0990) on September 14, 1990 to raze the building at 2602 Normal Avenue. The original cost of the property was removed from the financial records in September 1990.

**EASTERN MONTANA COLLEGE**  
**Schedule of Enrollment Statistics**  
**for the Year Ending June 30, 1990**

	<u>Summer 1989</u>	<u>Fall 1989</u>	<u>Winter 1990</u>	<u>Spring 1990</u>
<b>Enrollments Majoring in:</b>				
School of Business & Economics	334	1,066	1,022	905
School of Education	535	995	1,003	963
Graduate Program--Nondegree	659	360	363	331
School of Arts & Sciences	304	764	804	753
General Studies	134	744	600	487
Human Services	69	126	149	137
<b>Total Enrollment--Head Count</b>	<b><u>2,035</u></b>	<b><u>4,055</u></b>	<b><u>3,941</u></b>	<b><u>3,576</u></b>
 <b>Student Credit Hours Provided By:</b>				
School of Business & Economics	1,603	8,196	8,338	6,833
School of Education	7,462	10,135	10,178	10,705
School of Arts & Sciences	6,229	28,029	26,433	23,056
Human Services	367	610	561	630
<b>Total Student Credit Hours</b>	<b><u>15,661</u></b>	<b><u>46,970</u></b>	<b><u>45,510</u></b>	<b><u>41,224</u></b>
 <b>FTE--All Funding Sources</b>	<b><u>1,074</u></b>	<b><u>3,162</u></b>	<b><u>3,065</u></b>	<b><u>2,774</u></b>
 <b>Annual FTE--Current</b>				
Unrestricted Funding	<u>1,074</u>	<u>3,152</u>	<u>3,061</u>	<u>2,774</u>

**Note:** This schedule does not include statistics of the Continuing Education and Extended Studies Programs.

**EASTERN MONTANA COLLEGE**  
**Schedule of Enrollment Statistics**  
**for the Year Ending June 30, 1989**

	<u>Summer</u> <u>1988</u>	<u>Fall</u> <u>1988</u>	<u>Winter</u> <u>1989</u>	<u>Spring</u> <u>1989</u>
<b>Enrollments Majoring in:</b>				
School of Business & Economics	369	1,096	1,042	953
School of Education	503	982	954	913
Graduate Program--Nondegree	549	335	365	362
School of Arts & Sciences	207	714	679	625
General Studies	124	711	684	565
Human Services	78	156	145	145
<b>Total Enrollment--Head Count</b>	<b><u>1,830</u></b>	<b><u>3,994</u></b>	<b><u>3,869</u></b>	<b><u>3,563</u></b>
 <b>Student Credit Hours Provided By:</b>				
School of Business & Economics	1,664	8,332	8,434	6,808
School of Education	7,029	10,779	10,960	10,611
School of Arts & Sciences	5,450	26,823	25,162	22,442
Human Services	465	547	488	557
<b>Total Student Credit Hours</b>	<b><u>14,608</u></b>	<b><u>46,481</u></b>	<b><u>45,044</u></b>	<b><u>40,418</u></b>
 <b>FTE--All Funding Sources</b>	 <b><u>1,000</u></b>	 <b><u>3,124</u></b>	 <b><u>3,031</u></b>	 <b><u>2,719</u></b>
 <b>Annual FTE--Current</b>				
Unrestricted Funding	<u>998</u>	<u>3,113</u>	<u>3,028</u>	<u>2,719</u>

Note: This schedule does not include statistics of the Continuing Education and Extended Studies Programs.

## College Response

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1500 North 30th Street, Billings, MT 59101-0298

APR 24 1991

Office of the President

406/657-2300

April 22, 1991

Mr. Scott A. Seacat  
Legislative Auditor  
State Capitol  
Helena, Montana 59620

Dear Mr. Seacat:

Attached is Eastern Montana College's written response to the financial-compliance audit conducted by your staff for the two fiscal years ended June 30, 1990.

On behalf of the college staff, I wish to thank you and your audit staff for a professional audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Carpenter".

Bruce H. Carpenter  
President

Attachment

c: Jack Noble, Deputy Commissioner  
for Management and Fiscal Affairs  
Kenneth W. Heikes, Administrative  
Vice President  
Kathleen Hicks, Controller

EASTERN MONTANA COLLEGE  
Response to Legislative Audit Recommendations  
Fiscal Years 1989 and 1990

RECOMMENDATION #1

WE RECOMMEND THE COLLEGE PERIODICALLY REVIEW AND EVALUATE COMPLIANCE WITH ESTABLISHED CONTROL PROCEDURES AT THE REMOTE CASH HANDLING SITES.

**RESPONSE:**

Concur. EMC will continue to conduct periodic reviews and evaluations of procedures at remote cash handling sites in an effort to assure the existence of adequate and effective controls.

RECOMMENDATION #2

WE RECOMMEND THE COLLEGE IMPLEMENT CONTROLS TO ENSURE:

- A. ACCESS TO COMPUTER FILES AND EQUIPMENT IS ADEQUATELY SAFEGUARDED.
- B. A DISASTER RECOVERY PLAN IS DEVELOPED AND UPDATED ON A TIMELY BASIS.
- C. USERS MANUALS ARE DEVELOPED AND UPDATED ON A TIMELY BASIS.

**RESPONSE:**

A. Partially concur. Custodial worker access to the computer room was discontinued immediately following initial discussions of limiting access. Due to the very limited computer staff, programmers are authorized access to the computer room, as is EMC's Digital Equipment Corporation (DEC) representative. DEC is under contract with the College for maintenance of the computer and access to the computer is frequently necessary outside normal working hours. This arrangement has proved to be satisfactory and provides our limited computer center staff with flexibility in scheduling their time. It is a perceived risk that the college has assumed. Shared user ID numbers for access to SBAS were eliminated following initial discussions of this issue.

B. Concur. The Office of the Commissioner of Higher Education will coordinate development of a system policy for a disaster recovery plan for the university System.

C. Concur. EMC is in the process of developing and updating user manuals for critical applications, and will continue the process as staff time permits.

RECOMMENDATION #3

WE RECOMMEND THE COLLEGE IMPLEMENT SUPERVISORY REVIEW PROCEDURES TO ENSURE GRANTS PERSONNEL FOLLOW ESTABLISHED REPORTING PROCEDURES.

**RESPONSE:**

Concur.



